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The Big Bank Rush Is On

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WASHINGTON, Oct. 5 — Sooner or later it was bound to happen. The nation's money-center banks have discovered Washington. Led by the ever-aggressive Citicorp, the big banks are pushing not so quietly to get in the door.

Though Federal law prohibits banks from operating outside their state boundaries, exceptions are allowed when state law permits outside banks to come in. And Citicorp, which is already in Maryland, has been trying to get a favorable law enacted here, wooing Mayor Marion S. Barry with such events as a \$40,000 reception to kick off the District's China trade show last month while making promises to the City Council to invest in Washington's depressed areas.

What is more, the giant New York-based corporation has reason to celebrate. Just last week Mayor Barry shocked the Council and threw mud in the face of local bankers by vetoing a bill that would have excluded Citicorp and other money-center banks from the District indefinitely.

A Primary Area for Expansion

The big banks see Washington as one of the primary areas for economic expansion in the country. The District and its surroundings have experienced a major boom in high-technology industries, fueled by the voracious appetite of the military, intelligence and information-processing establishments of the Federal Government. The area has become a center for biotechnology and bioengineering. White-collar and service jobs abound, while dying heavy industries are few and far between.

Moreover, those who look into the future see Washington as a natural market for international finance, since it is home to the World Bank and the International Monetary Fund. They argue that proximity to these institutions is an obvious attraction to many major foreign banking organizations.

The ultimate success of the big bank rush on the District's lawmakers is still unclear. But, based on an enormous lobbying effort by the nation's largest bank and its offer to invest \$100 million in the poorest sections of the city as well as hire 200 District residents, many are placing their money on Citicorp.

"Citicorp's words are very seductive to a government in need of economic development," said Luther H. Hodges Jr., chairman of the National Bank of Washington, who was Deputy Secretary of Commerce in the Carter Administration. "And I think Citicorp could win this one."

But the Mayor and the City Council are far from agreement on whether

the nation's capital should be opened up to the world's largest banking organizations, and some are predicting that this week the Council may override the Mayor's veto.

Heeding the cries of local bankers who fear the presence of the big banks, the City Council had passed a bill that would have permitted only banks in 11 Southeastern states to enter the District and only if they bought a local bank. Some members of the Council referred to the Citicorp plan as a "public bribe."

The Mayor, on the other hand, has supported special treatment of Citicorp and any other big bank that agreed to a \$100 million investment. He has proposed an amendment to the Council's bill that would give such a bank immediate entry to the Washington market if it committed such resources to the poorer districts or would permit any bank to enter the area through acquisition after two years.

As Lucius Gregg, a Citicorp vice president who is its chief lobbyist in efforts to get into the District, puts it, the possibility of economic assistance from the big banks has great attraction to the Mayor. The District has lost 58,000 jobs to the suburbs in the last 10 years. At 8.9 percent the unemployment rate is twice that of the suburbs. And it will take an estimated \$2 billion to replace those jobs.

"If the local banks don't have the lending capability to respond these needs, there is a role for the money center banks," Mr. Gregg said. He added that the city's 19 banks have \$14 billion in assets, as against Citicorp's \$140 billion in assets.

Curtis McClinton, Deputy Mayor for Economic Development, says the big banks have shown broad interest

in operating in the District.

"We have had discussions with Chemical Bank, Chase Manhattan, Morgan Guaranty and the Bank of America," he said. "And it is clear to us that Citibank's initiative is representative of all the big bank's intentions." Other New York banks expressing interest have included Marine Midland and Irving Trust.

To hear Mr. Hodges of the National Bank of Washington explain it, the Baltimore-Washington area is ripe for economic expansion but needs a lot more financial muscle to generate the growth.

The area is the fifth most populous region in the country, he notes, after New York, Los Angeles, Chicago and Philadelphia. The District leads the country in median household income with \$30,200 per capita. It is the fifth-

largest consumer market, with \$32 billion in retail sales. Two-thirds of its work force are white-collar or service employees, and it has the largest concentration of any region in the country of workers under age 35.

At the same time, Mr. Hodges points out, the District's two largest banks, the Riggs National Bank and the American Security Bank, rank 53d and 67th in the nation and are smaller than some banks in markets of smaller size. For example, the Dallas-Fort Worth area is home to the 19th, 20th and 21st largest banks, while San Francisco has the 2d and 12th largest institutions.

"The days of the small banks are numbered in Washington," he said. "And our area will not be able to grow unless there is a major consolidation of banks in the area."

A Preference for the South

But most local bankers hope the consolidation will come from smaller banks of the South rather than the giants of the North or the West. And the District of Columbia Bankers Association is fighting to keep Citicorp and its big-city brethren out, reasoning that Southern banks can provide adequate financial resources to fuel the expansion.

So far, two big Virginia banks have announced plans to buy District banks, and banking sources say several other deals are waiting approval of the legislation.

Yet some Council members and the Mayor himself have criticized the local banks for their own lack of commitment to the city's poor, while others have questioned how faithfully Citicorp will live up to its promises.

"I have read Citicorp's proposal letter," said Daniel J. Callahan, chairman of the American Security Bank. "And it's full of holes."